

Message Text

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SUBJECT: NEW ECONOMIC EXPERIMENT IN BYELORUSSIAN CONSTRUCTION
INDUSTRY

REF: (A) STATE 143169; (B) C-ER -5-59137

1. EMBASSY REGRETS DELAY IN REPLYING TO REFTEL.
2. MOST COMPREHENSIVE STATEMENTS TO DATE REGARDING ESSENCE OF EXPERIMENT HAVE APPEARED IN EKONOMICHESKAYA GAZETA, NO. 23 (JUNE, 1975), AND IZVESTIYA OF JUNE 4.
3. EXPERIMENT IS BILLED AS "FURTHER STEP" ALONG PATH OF 1965 ECONOMIC REFORM PRIMARILY BECAUSE OF PURPOSE TO ACHIEVE, THROUGH JUGGLING OF PLANNING AND FINANCIAL STIMULI, GREATER RESPONSIVENESS WITHIN STRUCTURE OF A REPUBLICAN CONSTRUCTION MINISTRY (BYELORUSSIAN MINISTRY OF INDUSTRIAL CONSTRUCTION) FOR ATTAINING ON-SCHEDULE COMPLETION OF PROJECTS AND HEIGHTENED QUALITY OF WORK. CHIEF FEATURES OF NEW EXPERIMENT INCLUDE:

- PAYMENT BY END-USERS TO CONSTRUCTION ORGANIZATIONS OF MINISTRY ONLY RPT ONLY UPON COMPLETION OF GIVEN PROJECT;
- OBLIGATORY USE BY MINISTRY OF BANK CREDITS TO FINANCE PROJECTS INSTEAD OF "ADVANCES" FORMERLY PROVIDED BY RECEIVING ORGANIZATIONS. INTEREST RATE FOR CREDIT RANGES FROM 0.5 PERCENT ON PROJECTS COMPLETED AHEAD OF SCHEDULE TO 5.0 PERCENT ON THOSE NOT FINISHED WITHIN THREE MONTHS BEYOND

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PLANNED COMPLETION DATE;

-- INTRODUCTION OF VARIOUS NEW YARDSTICKS FOR GUAGING PLAN FULFILLMENT BY MINISTRY AND ITS SUBORDINATE ORGANIZATIONS, BASED PRIMARILY ON NUMBER OF PRLUECTS ACTUALLY COMPLETED AND IN OPERATION AT CONCLUSION OF PLAN PERIOD RATHER THAN SIMPLE "OVERALL VOLUME OF WORK CARRIED OUT", WHICH WAS FORMER CRITERION FOR EVALUATING WORK OF MINISTRY;

-- INCREASE IN PERCENTAGE OF PLANNED PROFITS RETURNED TO CENTRAL STATE BUDGET;

-- FUNDING OF ALL CAPITAL INVESTMENTS, R&D, BONUS FUNDS, EMPLOYEE HOUSING DEVELOPMENTS, ETC. TOTALLY AND EXCLUSIVELY FROM INTRA-MINISTERIAL SOURCES (PLANNED PROFITS AND " OTHER OF ITS OWN RESOURCES").

4. COMMENT: WHILE IT IS NOT DIFFICULT TO SEE GOAL SOVIETS ARE SHOOTING FOR IN "BYELORUSSIAN EXPERIMENT", LIKELY RESULTS ARE MUCH LESS OBVIOUS. FIRST OF ALL, USSR CONSTRUCTION INDUSTRY HAS LONG HAD DIFFICULTY REGARDING UNFINISHED PROJECTS SINCE PERFORMANCE BY MINISTRIES HAS BEEN JUDGED MAINLY ON BASIS OF "AMOUNT OF FUNDS ASSIMILATED" DURING GIVEN PLAN PERIOD. THIS HAS LED NOT ONLY TO DELAYS IN COMPLETION -- SINCE WORKERS WERE RELATIVELY UNCONCERNED ABOUT WHETHER A PRLJECT WAS FINISHED OR NOT -- BUT ALSO TO COMPETITION BY CONSTRUCTION ORGANIZATIONS FOR "BIG TICKET" CONTRACTS WHERE EVEN MODEST BEGINNING WOULD RENDER PLAN OVERFULFILLMENT RELATIVELY SIMPLE. IN FACT, A NEW SOVIET RPT SOVIET PROVERB HAS SPRUNG UP WHICH REFLECTS THIS SITUATION: "THERE'S NO MONEY IN PLASTER WORK" (SHTUKATURKOY NE ZARA-BOTAYESH').

5. BESIDES NATURAL RESISTANCE FROM WITHIN CONSTRUCTION MINISTRIES TO NEW EXPERIMENT (REQUIRMMENT TO OBTAIN INTEREST-BEARING BANK CREDITS FOR PROJECTS AND DIVERSION OF GREATER PERCENTAGE OF MINISTRY'S PLANNED PROFITS TO STATE BUDGET BEING, IN THEIR EYES, PARTICULARLY ONEROUS), THERE ARE OBSTACLES INHERENT IN SOVIET WAY OF RUNNING ECONOMY WHICH WILL MILITATE AGAINST ACHIEVEMENT OF EXPERIMENT'S DESIRED RESULTS. CHIEF AMONG THESE IS HAPHAZARD SYSTEM OF MATERIAIOATECHNICAL SUPPLY. IT OFTEN HAPPENS THAT CONSTRUCTION PROJECTS CANNOT GO FORWARD DUE TO SIMPLE LACK OF BUILDING MATERIALS, PARTICULARLY PRE-FAB CONCRETE SLABS AND STEEL REINFORCING LIMITED OFFICIAL USE

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BEAMS. THE BUILDING MATERIALS INDUSTRY BEING UNTOUCHED BY LATEST EXPERIMENT, THERE IS LITTLE REASON TO SUPPOSE IT WILL VOLUNTARILY MEET DELIVERY COMMITMENTS SINCE ITS PERFORMANCE IS ALSO JUDGED ACCORDING TO VOLUME OF OUTPUT RATHER THAN SALES/DELIVERIES (REALIZATSIYA) TO CONSTRUCTION MINISTRIES. IN SHORT, EMBASSY'S PREDICTION IS THAT LATEST TWIST TO 1965 REFORMS WILL EVENTUALLY SUFFER SAME DEMISE AS ITS PREDECESSORS.

BREMENT

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